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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 000125

SIPDIS

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TAGS: [PGOV](#) [ECON](#) [KDEM](#) [EG](#)

SUBJECT: TACKLING CORRUPTION IN EGYPT

REF: A. CAIRO 35

[1](#)B. 05 CAIRO 9547

Classified by DCM Stuart Jones for reasons 1.4 (b) and (d).

Summary

[1](#)1. (C) The issue of corruption took on a higher profile in Egypt in late 2005, after a dearth of high profile cases in recent years. In December, a significant case with political implications emerged at the Egyptian TV and Radio Union, a cabinet shuffle resulted in the unexpected dismissal of several veteran ministers long notorious for their corruption, and, perhaps not coincidentally, two of Egypt's leading pro-government weeklies published cover stories on the subject of corruption. Long a festering political issue in Egypt, anti-corruption drives have in the past come in irregular spurts, and have generally appeared selective and limited in scope. In recent months the Embassy has been urging senior GOE contacts to seize the high ground on the issue of corruption. Two key members of the cabinet are ahead of the game in this regard. End summary.

High Profile Scandal at Media City

[1](#)2. (SBU) In early December, two key figures in Egypt's media sector were arrested and indicted on corruption charges. Abdel Rahman Hafez, director of the State-owned Media Production City, and Ehab Talaat, a private sector advertising executive, were indicted on December 8 by the Public Prosecutor, after a case against them was brought by the Administrative Control Authority (ACA), the GOE agency mandated to combat public corruption. According to the indictment, Hafez and Talaat were involved in a sweetheart deal granting the latter's ad agency advertising time on the state-owned Nile Satellite Channel for a tenth of its actual value. Hafez is also reportedly under investigation for various other illicit practices.

[1](#)3. (SBU) There has been a particular public focus on 40 year old Ehab Talaat, who has cultivated a "playboy" image -- often photographed in Cairo's most fashionable restaurants and clubs with his wife, pop singer Sherine Wagdy. The day after his indictment was announced, Talaat was stopped at Cairo International Airport as he attempted to board his private jet for a flight to Greece. Authorities advised Talaat that his passport was being revoked pending the resolution of the criminal charges.

[1](#)4. (SBU) The case against Talaat and Hafez apparently originated with a complaint to the ACA brought by Minister of Information Annas al-Fiqqi. Fiqqi dismissed Hafez from his post as head of Media Production City several weeks before his indictment. There has been considerable speculation in the media that Fiqqi's ultimate target is his predecessor as Minister, Safwat al-Sherif. Sherif, who served as Minister of Information for over two decades, is widely believed to have exploited his position to enrich his family and cronies. In 2003, Safwat's son Ashraf won from the Ministry two coveted licenses for new FM stations. The two new stations have since gone on to become Cairo's most popular stations, second only in listenership to the station which broadcasts recitals of the Holy Qu'ran. Ashraf el-Sherif is also widely believed to have been Ehab Talaat's silent partner in his highly profitable ad agency.

[1](#)5. (C) Safwat el-Sherif, one of Egypt's principal symbols of the GOE's reactionary/statist "old guard," is seen by many Egypt watchers as a stealthy but implacable enemy of Gamal Mubarak and his ambitions to succeed his father. By contrast, Sherif's successor, Anas al-Fiqqi, a reform-minded former publisher, is known to be a close ally of Gamal. In this context, the Talaat-Hafez corruption case could be viewed as the latest stage of a proxy war between Gamal Mubarak and Safwat Sherif. Some observers downplay this theory, however, arguing that Ehab Talaat's alliance with Ashraf el-Sherif dried up some time ago.

Key Symbols of Corruption Purged from Cabinet

16. (C) In a separate but potentially related development, a late December cabinet shuffle (reftels) resulted in the dismissal from the government of a number of cabinet veterans, including two ministers infamous for their corruption and impunity. Among those removed was Housing Minister Ibrahim Soliman, who for years controlled public expenditures on housing and residential development projects was widely reputed to have steered contracts in order to enrich himself, family, and cronies. His actions so outraged Mamdouh Hamza, an Alexandria-based engineer and developer, that he allegedly conspired, during a stint in London, to have Soliman assassinated. Hamza is currently standing trial in the U.K. on these charges. An even larger symbol of state corruption and power politics was Minister for People's Assembly Affairs Kamal el-Shazly, also removed from the cabinet in late December. Shazly, also famous for cutting in his friends and family epitomized the machine politics and back-room dealing that ensured the ruling NDP dominance of the parliament and broader political life. While we cannot be sure that the removal of Soliman and Shazly was primarily due to their reputations for corruption, it is reasonable to surmise that this was a factor in the decision.

Increased Media Focus on Corruption Writ Large

17. (U) Also in December, two of Egypt's leading pro-government weeklies, Al-Mussawar and Rose al-Youssef, ran prominent stories on the issue of corruption in public life. In a December 23 cover story which attempted to analyze public corruption in Egypt, Al-Mussawar acknowledged that the phenomenon is present in all levels of government, and identified systematic flaws which allow the phenomenon to survive. The article cited the failure of parliament to address the issue and develop stronger anti-corruption legislation and its failure to interpolate Ministers and other senior officials working in and around corrupt environments. Another article, in the weekly Rose al-Youssef cited, "a lack of religious awareness" and the meager salaries of public sector employees, and the lack of investigative resources as all contributing to the problem.

Comment

18. (C) Corruption has long been a hot-button issue in Egypt and is one of the public's chief complaints about the GOE. Many attribute the popularity of the Muslim Brotherhood (MB), and their recent strong showing in the parliamentary elections, to their use of the corruption issue against local NDP candidates and the public perception that MB's are "clean" or even "incorruptible." We have been urging senior GOE contacts to seize the high ground on this important issue, and follow through on a sustained anti-corruption campaign. Two key cabinet members, Trade Minister Rachid and Investment Minister Mohieldin are ahead of the game in this regard. In recent (separate) public remarks, each have underscored the role public corruption has played in inhibiting development and discouraging investment in Egypt's economy.

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